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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 03/13/08

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- 5) Three Democratic Party of Japan (DPJ) lawmakers abstained when party voted down BOJ governor candidate in Upper House (Mainichi)
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1) TOP HEADLINES

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Mainichi:

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Yomiuri:

Japan estimates greenhouse gas emissions can be cut worldwide by 10

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billion tons by 2020

Nikkei:

Mitsubishi Corp, others to start selling vehicles, other products with emission quotas to corporate clients

Sankei:

Public opinion disagrees with DPJ's opposition to the government's nomination of new BOJ governor

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Small- and medium-size companies say they have no plans to borrow from ShinGinko Tokyo

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Land, Infrastructure, and Transport Minister Fuyushiba: Feasibility studies on six large-scale bridges to be cancelled

2) EDITORIALS

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- (1) Upper House's rejection of nomination of Muto as new BOJ governor: Prime Minister Fukuda should make efforts to resolve the stalemate
- (2) Japan's first lab "Kibo": Make the best use of 1 trillion yen

Mainichi:

- (1) Opposition's disapproval of Muto as new BOJ governor: Ruling, opposition parties should have meeting of minds to avoid vacancy in the post
- (2) Ishihara Bank: Tokyo Gov. Ishihara must take responsibility

Yomiuri:

- (1) DPJ should handle BOJ appointment responsible
- (2) Can cooperation of central banks of U.S. and European countries prevent dismay in the markets?

Nikkei:

- (1) Japan must avoid vacancy in BOJ governor post
- (2) Low wage increases to slow down economic growth

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Tokyo Shimbun:

- (1) This year's pay raises will not give momentum to the economy
- (2) Ishihara Bank should not increase the red any more

Akahata:

- (1) Muto unsuitable to serve as BOJ governor

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, March 12

NIKKEI (Page 2) (Full)
March 13, 2008

10:29

Met with State Minister for Consumer Affairs Kishida and Assistant

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Deputy Chief Cabinet Secretary Saka.

11:23

Met with Chief Cabinet Secretary Machimura. Then met with New Komeito head Ota.

12:06

Met with Deputy Chief Cabinet Secretary Futahashi.

15:06

Met with Vice MEXT Minister Zeniya, followed by METI Deputy Vice Minister Toyoda and Trade Policy Bureau Director General Ishige.

16:12

Met with Vice Cabinet Office Minister Uchida, followed by Finance Minister Nukaga and Special Advisor to the prime minister Ito.

17:17

Experts Council "Rising Agriculture, Mountain and Fishing Villages"

18:23

Met with Kishida, Saka and Attorney Toshihide Kubo at Intellectual Property Strategy Headquarters. Then met with Health, Labor and Welfare Minister Masuzoe.

19:23

Dined with Nikkei Shimbun columnist Yasuhiro Tase and Mainichi Shimbun Special editorial committee member Kishii at a French restaurant in Roppongi.

21:49

Arrived at the official residence.

- 4) Selection of BOJ governor, deputy governors: Lower House to approve three nominees; Shiraka to serve as acting governor in event of governor's post becoming vacant

ASAHI (Page 1) (Excerpts)
March 13, 2008

The Lower House is expected to approve at a plenary session the government proposal for appointing Toshiro Muto (64), incumbent deputy Bank of Japan (BOJ) governor and a former administrative vice finance minister, as governor, and Takatoshi Ito (57), professor at Tokyo University graduate school, and Masaaki Shirakawa (58), professor at Kyoto University graduate school, as deputy governor with a majority approval by the ruling parties. The Upper House has already decided by an opposition-camp majority to disagree with the nominations of Muto and Ito. In an effort to avoid the post of BOJ governor from becoming vacant, the ruling camp plans to call on the DPJ to respond to talks.

Only Shirakawa hailing from the BOJ is expected to secure approval from both houses of the Diet. If Shirakawa takes office as deputy governor, he can perform the task of BOJ governor in compliance with the BOJ Law, in the event the post of governor becomes vacant.

The secretaries general and Diet Policy Committee chairmen of the LDP and the New Komeito yesterday discussed in the Diet how to deal with the situation. They agreed to work on the DPJ to agree to hold talks on the matter. However, the DPJ is determined not to respond

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to the call unless the government replaces the two candidates in question.

5) Three members of DPJ parliamentary group abstain from voting on appointment of BOJ governor

MAINICHI (Page 5) (Full)
March 13, 2008

Nariyuki Tanaka

Three members of the major opposition Democratic Party of Japan (DPJ) parliamentary group -- Yoshihiro Kawakami, Hajime Hirota, and Takashi Morita - abstained from a vote on the appointments of the Bank of Japan (BOJ) governors and deputy BOJ governors taken yesterday in the Upper House plenary session.

Kawakami told reporters: "I think Mr. Muto should assume the post of BOJ governor, but out of consideration for our party's policy, I abstained from voting." Hirota and Morita are both independent lawmakers joining the DPJ parliamentary group. Yasuhiro Oe and Yoshitake Kimata, both belonging to the DPJ, were absent from the plenary session, citing such reasons as illness.

DPJ Secretary General Yukio Hatoyama, when asked about Kawakami's abstention, said, "That was unavoidable. I do not necessarily think that such a behavior is an act of rebellion." He implied that he would not punish him.

6) Ruling coalition eyes stopgap bill to avoid creating vacancy in BOJ governorship

TOKYO SHIMBUN (Page 1) (Full)
March 13, 2008

The government's nomination of Toshiro Muto for the post of Bank of Japan (BOJ) government was voted down in the opposition-controlled House of Councillors yesterday. Following this, a plan to revise the Bank of Japan Law floated in the ruling camp yesterday to enable the incumbent governor to continue his duties even after his term of office expires on March 19 until his successor is appointed.

In its plenary session vote yesterday, the Upper House rejected the government's nominations of BOJ Deputy Governor Muto for the governorship and of Tokyo University Professor Takatoshi Ito for the post of deputy governor, though it approved the appointment of Kyoto University Professor Masaaki Shirakawa as deputy governor. With the rejection of the nomination of Muto, the post of governor is now likely to be left unoccupied.

Under the current BOJ Law, a deputy governor serves as acting governor if the governor's post is vacant.

Many members in the ruling parties have voiced concern about a case in which a deputy governor or a board member serves as acting governor for a long period of time. A senior Liberal Democratic Party member said: "The international community sees such a situation as Japan becoming dysfunctional. In this sense, (even if the deputy governor serves as acting governor,) the situation will not be different from the state of the governorship being left vacant." Reflecting such voices, the ruling camp mulled countermeasures. As a result, the plan to revise the BOJ Law to

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extend the incumbent's term of office as a temporary measure emerged.

7) Road funds: Ruling camp to present revised plan possibly next week; Total cut to come to 40 trillion yen level

ASAHI (Top Play) (Excerpts)
March 13, 2008

Concerning the special-purpose road construction revenue issue, including an extension of the provisional gas tax rate, the Liberal Democratic Party (LDP) and the New Komeito yesterday decided to compile a plan to revise the government proposal and present it to the opposition bloc as early as next week. The draft revision will focus on a revision of the mid-term road construction program, including a cut in the total project expenses. The ruling parties had called on the Democratic Party of Japan (DPJ or Minshuto) to come up with a definite plan. However, with the expiration of the provisional tax rate close at hand at the end of March, it changed that policy with the aim of providing an opportunity for the opposition camp to respond to revision talks.

According to more than one senior ruling party officials, the draft revision will consist of three main proposals: (1) shortening the mid-term road consolidation program with a funding target of up to 59 trillion yen over a 10-year period; (2) cutting the total project expenses secured in the mid-term program to the 40-trillion yen level; and (3) shortening a period of an extension of the provisional rates on the gas tax, etc.

The current proposal for the reallocation of special-purpose road construction revenues is reallocating a surplus of the current fiscal year's budget for other use. This policy will be, in principle, maintained in the draft. However, the ruling parties will not reject discussions on this issue with the opposition camp to leave room for further efforts to reallocate road funds for other use.

A senior ruling party official responsible for policy-making said, "We will come up with a drastic plan so that the people would think why the DPJ does not respond to our proposal for revision talks, when we have made concessions to such an extent."

8) Lowering gasoline price by 25 yen again becomes a real possibility, with Diet returning to normal now

MAINICHI (Page 5) (Excerpts)
March 13, 2008

Kaori Onaka

With agreement reached yesterday between the ruling and opposition camps to commence in general a question-and-answer session on the fiscal 2008 budget, the Diet, which had been stalled, has now returned to normal. The question-and-answer session is likely to focus on making modifications to the amendment to the Special Taxation Measures Law, including what to do about the provisional tax rate for gasoline, but it appears difficult for the amendment to be approved by the end of this fiscal year given the Diet calendar. In part because of the showdown between the ruling and opposition blocs over the appointment of a new Bank of Japan (BOJ) governor, the move for revising the amendment is unlikely to gather momentum.

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The possibility of lowering the gasoline price by 25 yen per liter is again becoming more likely.

The Lower House Land and Transport Committee yesterday adopted by a majority of votes from the ruling parties a bill amending the Law for Special Measures on Road Construction, which stipulates that of the tax revenues from the gasoline tax and other related taxes, money not used for the construction of road shall be incorporated into general revenues. Minister of Land, Infrastructure and Transport Tetsuzo Fuyushiba said in his Diet replies: "We must make every effort to get the two bills, including the amendment to the

Special Taxation Measures Law, adopted by the end of this fiscal year."

Regarding the amendment to the Special Taxation Measures Law, the Lower House speaker and the Upper House president mediated between the ruling and opposition blocs by suggesting that a certain conclusion should be reached by the end of the fiscal year. However, there are no prospects for the amendment to be discussed in the Upper House. In terms of the Diet calendar, it is hopeless for the amendment to be approved by the end of the fiscal year. When asked yesterday by reporters about the possibility of the term of the provision tax rate expiring, the major opposition Democratic Party of Japan's (DPJ) Upper House Caucus Chairman Azuma Koshiishi said: "That would be what we desire."

The expiration of the provisional tax rate would be averted if the ruling and opposition parties agree on modifications to the amendment, but it is difficult for the ruling bloc to add modifications to the amendment with their own hands. In addition, the question of who will become a new BOJ governor has made it difficult for the ruling and opposition parties to have discussion. On the appointment of a new BOJ governor, because the government is poised to again presenting the same plan to promote Deputy BOJ Governor Toshiro Muto to the top BOJ post, a former cabinet minister expressed concern: "It has become more difficult to modify the amendment to the Law for Special Measures on Road Construction."

9) Ozawa points to Lower House dissolution before Summit

TOKYO SHIMBUN (Page 2) (Full)
March 13, 2008

Democratic Party of Japan President Ichiro Ozawa held a meeting in Tokyo yesterday with junior members close to him and prospective candidates running in the next Lower House election. In the session, Ozawa ordered them to speed up preparations for the next election, saying: "Lower House dissolution could occur early. We cannot rule out the possibility that (the prime minister) will dissolve the Lower House before the G8 Lake Toya Summit."

One of the attendants quoted Ozawa as saying: "The Fukuda cabinet lacks the ability to run the government. Something could happen, and that is certain to result in a favorable wind for the DPJ. You must be prepared to ride on that wind."

10) Coordination focused on May 8 for visit to Japan by Chinese President Hu

ASAHI (Page 4) (Full)
March 13, 2008

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The Japanese and Chinese governments have launched final coordination on a visit to Japan by Chinese President Hu Jintao around May 8. It will be the first time for a Chinese president to come to Japan in a decade since then President Jiang Zemin visited in 1998. The two governments are looking into the possibility of drawing up a document summarizing the results of the summit meeting between Prime Minister Yasuo Fukuda and President Hu. This would be the "fourth political document" between the two countries, the last being the 1998 Japan-China Joint Declaration.

Fukuda and Hu agreed in their meeting last December that Hu would visit Japan "in the cherry blossom season." But Tokyo and Beijing are now rescheduling the presidential Japan visit to realize it in May because of the difficulty of arranging their schedules and the bilateral row over poisoned dumplings imported from China.

During his five-day Japan visit, Hu is expected to meet the Emperor, as well as the leaders of the two houses of the Diet. He may give a speech and visit local areas.

If a political document is drawn up, it will be the fourth in a series after the 1972 Japan-China Joint Statement, the 1978 Japan-China Peace and Friendship Treaty, and the 1998 Japan-China

Joint Declaration. However, since there remain such pending issues as the dispute over exploration rights in the East China Sea where there are gas fields in waters between the two countries, the respective foreign ministries are carefully considering as to whether the fourth political document should actually be drawn up.

11) PACOM testifies that China proposed dividing Pacific control between U.S. and China; Beijing's ambition for maritime hegemony clear

SANKEI (Page 3) (Full)
March 13, 2008

U.S. PACOM Commander Admiral Timothy Keating testified before the Senate Armed Services Committee yesterday that during his visit to China last May, a senior Chinese Navy officer proposed a plan for the United States and China to divide and control the Pacific Ocean into east and west sections, centered on Hawaii. The PACOM commander expressed a sense of alarm at this "strategic concept," saying, "China wants to expand the area under its influence."

According to Keating, the Navy officer asked him if it was possible to reach an agreement on a scenario in which the United States controls the area east of Hawaii and China the area west of Hawaii when "we (China) possess aircraft carriers." Keating said, "Even if it was a joke, the proposal reflected the People's Liberation Army's strategic vision," adding that he was "keeping an extremely close eye" on Chinese military and foreign policies.

The commander also indicated that the military exchanges with China have fallen short of U.S. expectations. Expressing his dissatisfaction with China's unclear defense spending, Keating also said, "We don't have a relationship to have drinks at a club with them."

Last August, the Washington Times reported on the Pacific Ocean east-west division plan as a U.S. military source's story.

The paper reported that although the U.S. side had rejected the

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proposal, some pro-China individuals in the U.S. government, including intelligence organizations, reacted positively to it.

Chinese Navy submarines, including nuclear-powered submarines, have been actively conducting activities over the last several years in waters near Japan, Taiwan and Guam in the Western Pacific.

Drawing a line at the west of Hawaii clearly reflects China's ambition to significantly overstep its previous national defense zone set at the west of Okinawa.

Although Commander Keating did not reveal who made that proposal, he also had a meeting with Chinese Navy Command Wu Shengli during his visit to China last May, his first since taking office.

12) DPJ works out SOFA revision plan

YOMIURI (Page 4) (Full)
March 13, 2008

In the wake of a U.S. Marine's alleged rape of a junior high school girl in Okinawa Prefecture, the leading opposition Democratic Party of Japan (Minshuto) worked out a plan yesterday to revise the Japan-U.S. Status of Forces Agreement (SOFA), which governs the legal status of U.S. forces in Japan. The plan calls for the United States to turn over all military suspects in incidents and accidents to Japanese investigative authorities even before they are indicted. In addition, it requires U.S. military personnel living off base and their families to register with their local host governments under the Foreign Resident Registration Law.

The DPJ will coordinate the plan today with the People's New Party and the Social Democratic Party to create a joint plan and will call for the government to revise the SOFA.

In 1995, the Japanese and U.S. governments improved the SOFA's implementation. The United States is to pay "sympathetic consideration" to Japan for the pre-indictment handover to Japanese investigative authorities of U.S. military suspects in serious criminal cases even though they are held at U.S. military bases and under U.S. custody.

Meanwhile, the DPJ plan suggests the need to revise SOFA provisions in order to define procedures, specifying that "U.S. military authorities are to agree" to Japanese investigative authorities' request to hand over U.S. military suspects before they are indicted.

13) Gov't gives up frontloading next midterm buildup defense plan; 500 billion yen cut eyed

MAINICHI (Page 2) (Abridged)
March 13, 2008

In the wake of scandals involving the Defense Ministry over its procurement, the government decided yesterday to scale back on its current mid-term defense buildup plan for the period of five fiscal years from 2005 through 2009 and will cut at least about 500 billion yen from its total amount estimated at 24.24 trillion yen. The government will give up on its initial plan to compile the next midterm defense buildup plan one year earlier than scheduled. The decision is aimed at making an appeal on the government's efforts to

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reform its procurement system through cost cuts.

14) MOD to provide Iwakuni with city hall construction subsidies

TOKYO SHIMBUN (Page 2) (Full)
March 13, 2008

The Ministry of Defense decided yesterday to unfreeze within this month subsidies to the city of Iwakuni in Yamaguchi Prefecture, for the construction of a new city hall. Meeting Defense Minister Shigeru Ishiba and others yesterday, Iwakuni Mayor Yoshihiko Fukuda conveyed his decision to accept a plan to relocate U.S. carrier-based air wing to the U.S. base in the city. The mayor then asked for an early provision of 3.5 billion yen city hall subsidies and U.S. military realignment subsidies. In response, Defense Minister Ishiba said, "In order to comply with your request, we will hold talks with relevant organizations to begin necessarily procedures."

Because the city hall subsidies are not included in MOD's fiscal 2007 budget, the ministry is considering funding the project with a different set of unimplemented subsidies. The ministry will also designate Iwakuni as a local government entitled to receive U.S. force realignment subsidies.

15) U.S. serviceman suspected of hit-and-run driving

MAINICHI (Page 30) (Abridged)
March 13, 2008

In October last year, a U.S. serviceman stationed at the U.S. Air Force's Misawa Air Base in the city of Misawa, Aomori Prefecture, is suspected of a hit-and-run accident in the city. In that accident, a local resident was slightly injured. The Misawa Police Station did not arrest the airman but only questioned him, stating there was no fear of his destroying evidence or fleeing. On Mar. 10, the local police sent papers to the Aomori District Public Prosecutors Office's Hachinohe branch on the charges of violating the Road Trucking Vehicle Law. The U.S. serviceman is believed to have driven while under the influence. The accident took place within only a month after Sept. 19 last year when the revised Road Trucking Vehicle Law was enforced with severer punishment for hit-and-run driving, drunk driving, and other violations.

According to the investigation, the airman is in his 20s. His car hit a 62-year-old man when he was driving out of a parking lot in the city of Misawa at around 6 a.m. Oct. 14. The man fell down and

was suffered a slight head injury. The U.S. serviceman is alleged to have fled the scene.

The Misawa Police Station later identified the individual, based on the car's Y license plate and other circumstances.

16) Japan to announce calculation that greenhouse gas emissions could be reduced by 10 billion tons by 2020

YOMIURI (Top Play) (Excerpts)
March 13, 2008

The Environment Ministry will announce at the upcoming Group of 20 (G-20) climate talks starting on March 14 that worldwide greenhouse gas emissions could be reduced by about 10 billion tons by 2020. The

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estimates were worked out based on joint studies by Kyoto University, the National Institute for Environmental Studies, and other organizations. China tops the list of nations and regions that have the potential to cut gas emissions, followed by the U.S. and Russia. The ministry's report estimates that the measures to achieve this target will cost about 132.1 billion dollars, or about 13.6 trillion yen. It is rare to make such global calculations, so they are expected to have a major influence in debate at the international conference on long-term targets to cut global greenhouse gas emissions.

The studies classified the world into 21 countries and regions. Based on the premise that the levels of economic growth in 2000 and the current industrial structures across the world will not change, researchers calculated how much the current technologies and countermeasures could reduce gas emissions as of 2020.

The total amount of global gas emissions as of 2000 was about 25 billion yen. If emissions continue to increase at the current rate, the amount is calculated to grow to approximately 43 billion tons in 2020. But if the carbon dioxide (CO2) emissions-trading system becomes more popular, with gas emissions traded at 100 dollars per ton, and if a 200 dollars tax is imposed on every ton, companies and individuals will become eager to contain gas emissions. The report concludes that as a result, global emissions will be reduced to about 33 billion tons by 2020.

17) US beef imports in 2007 drop to one-eighth of 2003 level, as consumers shift to Australian beef

NIKKEI (Page 5) (Full)
March 13, 2008

U.S. beef imports remain sluggish. According to the Ministry of Agriculture, Forestry and Fisheries, Japan imported 34,000 tons of beef from the U.S. in 2007, about one-eighth of the 267,000 tons recorded in 2003, when there was little impact of a ban on imports imposed following the discovery of the first case of BSE in the U.S. The decrease is attributed probably to the requirement set to import only beef from cattle 20 months of age or younger and a drop in domestic consumption.

After Japan lifted the ban in July 2006, the volume increased more than about five times in 2007 over the level in 2006 but significantly declined if compared with the levels in 2003 and before.

In 2003, the volumes of beef imported from the U.S. and Australia were almost same, but the share of Australian beef has significantly increased after the outbreak of BSE in the U.S. The share of Australian beef was more than 80 PERCENT in 2007.

SCHIEFFER